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SIPDIS

SENSITIVE

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SUBJECT: AUSTRIAN AIRLINES ON RUSSIA, IRAQ AND ITS BOEING

FLEET

REFS: A) STATE 153814; B) VIENNA 3019

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Summary

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[¶1.](#) (SBU) Walter Reimann, Austrian Airlines' (AUA)

Director of International Relations and Government

Affairs, confirmed to post recently that AUA would focus on markets in China, India, and, especially, in Eastern Europe, where AUA has more destinations than any carrier.

AUA would like to expand its service to Russia and eventually support Aeroflot participation in the Star Alliance. However, Reimann opined that Russia would never agree to a traditional open skies agreement with the EU. AUA understands the political reality underlying the European Commission's push for vertical mandates to negotiate open skies agreements with China, India, and Russia. However, AUA is concerned the EC's approach could lead to blockages, similar to the current stalemate in U.S.-EC negotiations. Riemann said AUA hoped its Star Alliance partner, United Airlines, would eventually fly a Chicago-Vienna route. AUA hopes to secure rights to fly to Iraq in the near future. AUA will continue to use its Airbus fleet for short- and medium-haul flights and its Boeing 777s for long-range flights, with plans to purchase an additional 777 in the near-term.

Cooperation with Russia

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[¶2.](#) (SBU) In a recent meeting with post, Walter Reimann, Austrian Airlines' (AUA) Director of International Relations and Government Affairs, confirmed that AUA's focus remained on markets in the Balkans, Russia, Ukraine, India, and China. AUA currently serves four Russian destinations (Moscow, St. Petersburg, Rostov and Krasnodar), but has a code sharing agreement with Aeroflot only on two (Moscow and St. Petersburg). AUA has repeatedly attempted to extend the codeshare to other

Russian destinations pursuant to the bilateral air services agreement (ref B). Reimann said AUA believes Aeroflot will eventually become a partner in the Star Alliance, but he admitted the Russian carrier was not yet ready to join. During October bilateral talks with Russian officials, AUA hopes to receive permission to serve a fifth destination, Yekaterinburg, and to extend the codesharing agreement to all its Russian destinations.

13. (SBU) Echoing the views of the Austrian Civil Aviation Authority (ref B), Reimann noted that Russia was very reluctant to negotiate with EU member states, because of pending EU Commission initiatives on open skies agreements. Reimann opined that Russia would not agree to a traditional open skies agreement, much less to the Commission's goal of an open aviation area.

EU Mandate for Air Services Agreement

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14. (SBU) Riemann noted that there was pressure from the Commission to pursue vertical mandates on all open skies negotiations, thus preventing bilateral talks with important partners, such as China, Russia, and India. Riemann said AUA acknowledged the political reality that the EC would become more dominant vis--vis member states on open skies negotiations. However, he warned that an ineffective vertical mandate could provoke a standstill, similar to the situation with U.S.-EC open skies talks. Riemann also expressed concern that smaller carriers would lose out to carriers from the larger member states in EC-led open skies talks with Russia, China, and India.

AUA Service to the U.S.

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15. (SBU) AUA remains the only carrier offering non-stop service between Austria and the U.S. (daily flights from Vienna to Washington and New York).

According to Reimann, AUA presently has no plans to fly to other U.S. destinations, but has encouraged its alliance partner United Airlines to service Vienna from Chicago. Reimann pointed out that United lacked code sharing rights to fly to Russia and Ukraine via Germany. Riemann noted that United flights to Russia via Vienna would be more attractive because AUA already possessed code-sharing agreements with Russia.

Service to Iraq

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16. (SBU) Reimann said AUA would like to obtain rights to fly to Iraq. AUA plans to start discussions with the Iraqi Government in the near future. Riemann cautioned

that, ultimately, the security situation would determine whether or not AUA would fly to Iraq, especially to Baghdad. However, Riemann stated that AUA was particularly interested in obtaining rights to fly to Arbil and Sulaymanyah in northern Iraq, where the security situation was more stable. Riemann added that AUA would offer United code sharing possibilities in the event AUA begins flights to Iraq.

Fleet Plans

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¶7. (SBU) AUA's fleet currently comprises 100 planes, including 28 Airbus and 18 Boeing jets. Of the Boeing aircraft, three 777s and six 767s are for long-distance flights. Reiman said that AUA plans to order a fourth ¶777. According to Reiman, AUA wants to utilize its Airbus aircraft for short- and medium-range routes, and its Boeing fleet for long-haul flights. In Reiman's opinion, the A380 is "not the right plane for AUA's long-haul flights." AUA would like to use the 777s on the North American routes in the summer, then redirect them for flights to India during the winter, thus optimizing cargo and passenger loads.

VAN VOORST